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ABSTRACT

This paper--the outcome of a conference and subsequent consultations involving a majority of the nation's former Secretaries of Health, Education, and Welfare--recommends the revision of the present program of Aid to Families with Dependent Children. A brief overview of the United States welfare system and a detailed list of eight charges made against the system precede a summary statement of policy objectives for optimum welfare program reform. Proposed changes believed to represent a creative and realistic form of federalism are then offered. The key features of the recommendations include national eligibility standards, national minimum benefit levels, federal funding of those minimum benefit levels, and retention and strengthening of state/local program administration and service delivery. (RH)

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Welfare Policy in the United States

A critique and some proposals derived from the experience of former Secretaries of Health, Education, and Welfare

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Foreword

The paper which follows presents a constructive proposal for changes in one portion of our nation's welfare system The need for revision is recognized across the full spectrum of America's political opinion, even though different changes are desired by different constituencies — and often for contradictory reasons.

Despite the widespread agreement on a range of inadequacies, efforts to make basic changes in federal welfare policy have had a gloomy history. The motives and goals which various parties bring to the effort are too diverse for accommodation within a single overall design. Added costs for some level of government also appear inevitable, so that opposition to change has financial as well as philosophical bases.

But revision is urgently needed. Even if one could ignore for another decade the faults and inadequacies of our welfare programs, one would still be impelled to attempt revision now because of the new urgency to design a system which, at an affordable level, will provide benefits to the most needy recipients throughout the nation.

In 1981 The Johnson Foundation, Inc., headquartered in Racine, Wisconsin, convened a conference on welfare. The conferees had one striking qualification in common: each had served as Secretary of Health, Education and Welfare. They were: Anthony Celebrezze, Wilbur Cohen, Robert Finch, Arthur Flemming, Patricia Roberts Harris, David Mathews, and Elliot Richardson. Abraham Ribicoff, while not present at the original conference, has participated in subsequent review of the proposals.

Among them, they represented every administration from Eisenhower through Carter. The conference set in motion conversations and consultations about welfare reform which continued into 1982, and led finally to this paper. What follows is the product of the thought and experience of the above-named former Secretaries of Health, Education, and Welfare, their stated preferences among available choices. Their purpose is to contribute to the national debate about welfare, not to draft specific legislation. Naturally, the participating former secretaries do not stand together on every point, on every criticism, on every objective. But their common experience has enabled them to make a thoughtful and realistic contribution to the debate about welfare reform in general, and about aid to families with dependent children, in particular.

Preface

This paper, the outcome of a conference and subsequent consultations involving a majority of the nation's former Secretaries of Health, Education, and Welfare, recommends the revision of the present program of Aid to Families with Dependent Children (AFDC). The revised plan introduces policy measures of national eligibility and benefit standards, and calls for full federal funding of phased-in minimum cash benefits, while maintaining state program administration and strengthening the role of state government in making significant policy determinations.

Section IV below presents our proposals in outline. An analysis of current programs and of the issues associated with them will set these recommendations in their historical and policy context. Our hope is that in this manner the experience in public service which we have been privileged to share can make a contribution to the needed public reflection and debate about the welfare policies appropriate to the United States.

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I. The United States Welfare System

Citizens of the United States are generally agreed that the community at large has some obligation to protect the unfortunate and vulnerable. From motives that have their basis in religion, humanitarian feeling, or concern for the best interests of the community, Americans have traditionally acted on the belief that people who are poor or handicapped or at risk are to some extent a responsibility of the entire community.

This responsibility has been discharged in a variety of ways: through religious organizations, individual and organized private charity, voluntary associations, and through public actions at all levels of government. In this century, assistance provided by government to the poor and less fortunate has grown. Social insurance, income maintenance, and assistance efforts of various sorts constitute large public programs and require large public expenditures. Programs funded and managed by government are, no less than private charity, the expression of the general community's obligations, as perceived by that community. They represent the discharge of a general obligation on behalf of the aged, the widow, the orphan, the sick, the disabled, and other groups.

There is also a consensus that the U.S. economic system, while providing benefits for most individuals and for the nation at large, still leaves in its wake some who for various reasons and for varying periods of time are unable to compete, to contribute, or to participate in the benefits. For these, the public assistance provided by welfare and social insurance programs serves as a corrective, ameliorating what would otherwise be the harshness of the system, and by that very act helping to preserve the system itself.

The intent, therefore, of our system of transfer payments was to create a nation that would be protective and caring, as well as free and open. In pursuit of that goal, a succession of programs has been brought into existence, including general assistance, veterans' pensions, Aid to Families with Dependent Children (AFDC), housing assistance, fuel assistance, food stamps, Medicaid, earned income tax credit, and Supplemental Security Income (SSI). Those are the income-tested "welfare" programs available only to the demonstrably needy, and do not include the "social insurance" programs such as Old-age, Survivors' and Disability Insurance (Social Security), workers' compensation, and unemployment insurance. Taken all together, our various welfare and social insurance programs represent a substantial system. *In toto*, the programs create not merely a floor underfoot, but a ceiling of protection overhead. Thus, in the United States, most people in most circumstances of need are eligible to receive some assistance. Our welfare system is extensive and effective, despite its complexities, anomalies, and inequities, gaps and overlaps.

The welfare system is also expensive. In 1978, the eight major income-tested programs, including AFDC, SSI, food stamps, and Medicaid, cost the federal government $34.4 billion, and state and local governments $15.3 billion, for a total of almost $50 billion.[1] By another count, seven of the large income-tested programs cost an estimated $70.5 billion dollars in 1981. These same programs cost $25.25 billion dollars in 1973. Worth noting is that our social insurance programs involve approximately three times the expenditures of our welfare programs.

Concern over costs which rise by entitlement and appear out of control is legitimate. This concern needs to be tempered, however, by a recognition that from 1976 through 1979, public social welfare expenditures (including social insurance programs) decreased as a percentage of gross national product and as a percentage of the federal budget, a trend which the President's Commission for a National Agenda for the Eighties expected to continue for the long-term unless halted by recession. Nor are United States social welfare expenditures high in comparison with those of other industrial nations. If anything, we seem less generous, less willing to commit ourselves to the support of the less fortunate and the vulnerable.

In any case, the system of social expenditures in the United States does work, and figures show to what extent. For 1976, the

[1] Thomas A. Ault. "Federal-State Relations and Income Support Policy," in *Income Support. Conceptual and Policy Issues*, eds. Peter G. Brown, Conrad Johnson, and Paul Vernier (Maryland Studies in Public Philosophy. Rowman and Littlefield: Totowa, New Jersey, 1981), p. 59.

Congressional Budget Office calculated, 27% of American families (21.4 million families) had incomes below the poverty level *before* income transfers. *After* transfers (including the social insurance programs), 8.1% or 6.4 million families, had incomes below the poverty level.[2] Martin Anderson, until recently President Reagan's Assistant for Domestic Policy Development, writing in the Hoover Institution's *The U.S. In The 1980s*, states that if we judge solely by the twin criteria of the completeness and adequacy of coverage, then "our welfare program has been a brilliant success."[3] But, of course, he did not mean to imply that those are the only criteria, and the effectiveness of the system in accomplishing certain goals does not provide immunity from criticism nor obscure the need for reform.

II. The Need for Revision

To speak of our welfare "system" may mislead. The configuration of present programs did not emerge from a coherent design. It accumulated, piece by piece, through a process of disjunctive incrementalism, as successive administrations continued what one of them labeled "the War on Poverty." Now, in 1982, there are varying assessments of the state of that war, of the identity of the victors, and of the number of the victims. But from various sources a variety of criticisms of the system itself are offered. From the far right, which sees it as extravagant and fraud-filled, and from the far left, which sees it as inadequate, it is regarded as a failure. The great middle ground of American politics is less partisan and less strident, but it generally shares a negative appraisal of our system of welfare, while viewing some welfare programs as necessary in a market economy.

Hear some moderate voices: the President's Commission for a National Agenda for the Eighties states that "Our welfare system continues to be a maze of uncoordinated programs that trap people in poverty and dependency." And in *The State Of Black America*, 1980, Vernon Jordan writes of the need "to replace the present totally disastrous welfare system: . . ."[4] Speaking to the NAACP in 1978, Senator Edward Kennedy stated that "there is ample evidence that the welfare system itself, in combination with other factors, has helped to produce the very disease we now must seek to cure."[5] Those are not the sources from which one would traditionally have expected such criticism.

What are the charges against our welfare system, the points — whether valid or not — that reform must consider?

1. It is replete with inequities.

Here are some examples noted by the President's Commission for a National Agenda for the Eighties:

> A Minnesota mother of three could receive AFDC, Medicaid, and food stamps until her income reached $8,000 a year. A Minnesota father who remained with his family and worked full-time at a low wage disqualified his family for aid, regardless of need. In 1972, according to a Congressional sub-committee, a man who worked for $2.00 an hour could increase the annual income of his family (a wife and two children) by an average of $2,158 if he deserted them. The system in these cases rewarded one family over another and many would argue that it rewarded the wrong family.[6]

A principal source of inequities is the Aid to Families with Dependent Children program, the most basic component of the nation's welfare system. The program is administered by states, with the federal government meeting about 54% of the costs. Because of state by state differences in eligibility rules and benefits, there is a wide variance in support for families, from Mississippi's November, 1981, low of $120 for a family of four, to Vermont's $601. Whether or not welfare policies and funding are federal responsibilities is arguable, as the

[2] Congressional Budget Office, *Welfare Reform Issues, Objectives, and Approaches* (Washington, 1977), pp 17-18

[3] (Stanford, 1980), p. 147

[4] *The State of Black America, 1980*, p. 265.

[5] Freedom Fund Dinner, Detroit, May 1978.

[6] *Government and the Advancement of Social Justice. Health, Welfare, Education, and Civil Rights in the Eighties* (Washington, 1980), p. 66.

present public debate illustrates, but a strong case exists for some minimum standard to promote the cause of equity in the national interest.

2. It encourages family break-up.

The Minnesota example cited earlier illustrates the way in which fathers are induced to desert families. And yet, the present system, if it contributes to the disruption of families, leaves the female-headed family in dire straits. Half such families in the United States live in poverty today. The significance of that is emphasized when one realizes that three-fourths of all black children live in families headed by women.

3. It encourages teenage pregnancies.

The break-up of traditional families and the spawning of new truncated families demonstrate the way in which tragedy breeds tragedy within an impoverished sector of our population. Critics assert that the system encourages teenage pregnancies by making a baby an admission price to a welfare system for which there is often no work alternative, given the high teenage unemployment rate, especially among minority youth. We are aware that this is only one of several causes for the rise in out-of-wedlock births, but it is one which a reformed welfare program should address in the national interest. The children of children resulting from this phenomenon add yet another generation to the history of those families trapped in welfare dependency. Moreover, children's children are over-represented in the ranks of victims of child abuse, school dropouts, the unemployed, and the prison population. The social costs are incalculable — and the fiscal costs are nearly so. Those for welfare and medical expenses alone are estimated to be above $8 billion. Many of the costs, moreover, are paid under some rubric other than welfare.

4. It serves as a disincentive to work.

The Minnesota example cited earlier demonstrates that in some cases welfare provides a higher income than a low-paying, entrance-level job. Yet, getting people to break out of welfare dependency into the workforce should be one of the major objectives of a well-ordered welfare program. That transference typically requires a period in an entry-level job, which means that a program must be flexible in order to move a person from the one status to the other, from dependence to independence.

Fortunately, the widely held suspicion that many able-bodied persons are on welfare by choice is unfounded, or, at least, exaggerated. Most impoverished Americans work, or are persons whose status or disability makes work impossible. Many of the poor work for part of a year, part-time, or for low wages that leave them poor even after working. Many move in and out of poverty and in and out of welfare programs, even when holding paying jobs. Moreover, there have been — and are — work requirements for welfare recipients. The Work Incentive Program (WIN) has been part of AFDC since 1971, and various local jurisdictions, including at least one state, have had work requirements for recipients of general assistance. Our own view is that experimentation with work requirements should be encouraged, under broad local and state autonomy.

5. It discourages thrift and savings.

This tendency, relating to the work disincentive, derives from the fact that near destitution is a necessary entry mode for welfare. Continued poverty is required for sustained eligibility for relief through income-tested programs. Reform needs to resolve the tension involved in that dilemma, so that families may make the transition from support to independence.

6. It is costly.

As noted above, the eight major income support programs cost the nation nearly $50 billion in 1978. The Congressional Budget Office reports that eleven public welfare programs cost all levels of government $46 billion in 1976. More striking than the total is that those same programs, or their predecessors, cost only $7.5 billion ten years earlier. That 612% increase over a decade dramatizes the increase in costs and in number of recipients for some programs, especially food stamps and Medicaid. For better or worse, the growth in welfare expenditures will be limited, at least in the next few years, for political and economic reasons. Public expenditures must be subject to political control so that public policy can determine, through the political process, whose income should be supported, and to what extent.

7. It is too bureaucratic.

The range and number of categorical programs developed over the years, some in one department, some in another, each with its own rules, assumptions, and benefits, require an array of federal, state, and local administrators for implementation and for accountability What critics like to call a welfare industry has been created — a growth industry which some suspect is the principal beneficiary of our welfare system. That cynicism aside, the fragmentation of services, the confusion, and the added costs constitute an important welfare issue. The problem of bureaucracy was illustrated by the President's Commission for a National Agenda for the Eighties with this example:

> A recently widowed mother of several children, one of whom is disabled, may now apply to seven federal programs for aid In a typical jurisdiction, she will have to go to at least four different offices, fill out at least five different forms, and answer some 300 separate questions. The programs may treat the information obtained from these forms differently; the value of the same car, for example, is almost sure to differ from program to program. Fourteen hundred pieces of information may be needed just to determine accurately the level of the woman's income.

In part, this amount of paperwork is necessary, the result of different programs designed for the benefit of different categories of recipients. Some of this complexity can be simplified, however, by program consolidation or coordination and by the more general use of available management technology. Although attention to better management lacks the glamour of the policy-making or legislative processes, there can be no substitute for clarity and efficiency. The duplication and complexity of program administration, including the collection of information to determine client eligibility and benefits, cost about $3.5 billion in FY 1976 — thus administrative costs represent 8 percent of the total benefit costs of the American welfare system.[7]

8. It is a poor fit with our federal system of government.

In a system such as ours, relations among various levels of government present a chronic problem. In the case of the development and implementation of welfare policy, that chronic problem sometimes becomes acute. The variety and complexity of programs, accumulated during administrations with differing emphases and views of the federal-state relationship, has long since replaced the layer cake view of federal, state, and local governments with the metaphor of marble cake. A clean, clear separation seems impossible. The income-tested programs, especially AFDC and Medicaid, present the toughest challenges. "General Assistance," that most ancient and generic form of welfare, would appear to be an exception, because it is the responsibility of localities, or, in some cases, of states, but even it is not immune from tension. The levels of jurisdiction and responsibility are intermixed. Budget cuts in federally funded programs, such as AFDC, food stamps, or unemployment insurance, quickly result in heavier general assistance burdens for states and localities

In nearly all programs there is some participation, either financial or administrative, by both federal and state governments, even in the so-called "federalized" programs. One characteristic of our experience has been the tendency of one level of government to criticize another for mandating programs and services without appropriating funds to pay for them. In recent years, rising welfare costs have been a growing burden for state and local government. The idea of national standards and federal funding, with local responsibility for administration, gained support in such an era. Now, in 1982, the rhetoric is mixed as the financial plight of the federal government takes a priority over the more traditionally noted burden at the local level.

The New Federalism raises old questions for which no simplistic answer is acceptable. The problem involves appropriate balance between sectors, but the customary metaphor of a scale balance of federal-state concerns is inadequate. A more complex chandelier balance is suggested, with many factors involved in the funding and administration of contemporary welfare programs.

The modern history of welfare in the western world has been marked by a movement from a primarily ecclesiastical concern to the secularization of charity and "relief" under lay control, and of a subsequent movement from a reliance upon volunteer agencies to the development of a professional cadre of administrators and social

[7] Congressional Budget Office, *Welfare Reform. Issues, Objectives, and Approaches* (Washington, 1977), p 24

workers. In some cases, even the beneficiaries, the "clients," are organized. To accommodate the competing tensions, to draft acceptable compromises between equally worthy alternatives, is one of the principal tasks facing anyone who proposes to improve or reform the nation's welfare system.

In pursuit of the goal of a more harmonious, rational, effective, and economical system, the last decade and a half has seen several proposals advanced for comprehensive overhauls of the welfare system, including the report of the Heineman Commission, the Nixon Family Assistance Plan, and the Carter Administration's Program for Better Jobs and Income These and other proposals for comprehensive reform have sought to replace categorical programs with new, single, and simplified programs, such as a guaranteed income through the mechanism of a negative income tax.

At least for some years, it seems that it may be politically impossible to implement reforms similar to those previously proposed. For our time the temptation to overhaul must be foregone in favor of more modest goals — improvement in coordination, administrative efficiency, reasonable work incentives, and clarity of function in federal-state relations. We believe that our proposed welfare revision would make a contribution to those goals. The proposals are measured rather than sweeping. They deal with the politically feasible rather than the stuff of which dreams are made. Appropriate to the flux and financial concerns which dominate current political debate, the recommendations are flexible and embody principles which can be adapted to various funding levels and conflicting philosophies.

III. Policy Objectives

A reform of welfare programs would ideally include the following objectives:

- to provide a basic minimum level of income support for families with children in which the breadwinner is absent, disabled, unemployed, or deceased;
- to help hold families together in wholesome fashion;
- to provide fiscal relief to financially distressed states for the costs of AFDC;
- to provide incentives for those on welfare to work and to save;
- to enhance the roles of states in administering welfare programs;
- to simplify administration by making uniform definitions of income, resources, and work incentives;
- to encourage innovation and experimentation;
- to develop a long-range practical and realistic program that recognizes national economic conditions and the fiscal needs of state and federal governments;
- to incorporate constructive ideas that have been put forth in recent years by officials with practical administrative experience.

IV. Policy Recommendations

We former Secretaries of Health, Education, and Welfare are proposing a set of changes which, although short of the ideal, we believe would improve our welfare system by revising the current program of Aid to Families with Dependent Children (AFDC). We believe our changes represent a creative and realistic form of federalism.

The key features of our recommendations are these: national eligibility standards, national minimum benefit levels, federal funding of those minimum benefit levels, and retention and strengthening of state/local program administration and service delivery. We wish to stress the importance of these few principles. They are the heart of our proposal. Simple as they may seem, they embody an important potential reform of the

U S welfare system. We urge their consideration and present the following specifications as desirable public policy options. We include dates and amounts to give an idea of what might be feasible, but we are not wedded to specific figures.

1. Effective Date.

The revised program could become effective October 1, 1984 (i.e. fiscal year 1985).

2. General Objective.

The program should provide a nationally defined minimum level of support for all eligible families, above which states would be free to make improvements. With the provisions spelled out below, it would be possible to overcome part of the negative image currently associated with AFDC.

3. Eligibility: Discouragement of Family Breakup.

The revised program would include as eligible recipients families in which a child or children are deprived of financial support due to the breadwinner's incapacity for work (as defined by the state) or unemployment (as defined by the state). Thus families, if they met its income test, would be eligible for assistance in all fifty states and the District of Columbia if one or both parents are deceased, incapacitated for work, disabled, absent from the home, or unemployed. This standard of eligibility would eliminate incentives for fathers to desert their families. This goal could be phased in over several years to enable states to prepare for their broadened responsibilities.

4. Minimum Federal Benefit Level.

The basic objective is to provide a nationwide minimum income for all families with children. This benefit level should be compatible with some minimum budgetary standard of health and decency. The standard could be related to some proportion of the U.S. established poverty level, to the median income of the individuals in the state, or to some proportion of the income level established for families with children under the Supplemental Security Income Program.

The minimum benefit level could be reached by phased implementation over a period of years, in order to take into account the financial, economic, and administrative implications for both federal and state governments.

A suggested timetable and the minimum state standard of need related to the national poverty level might be as follows.

Fiscal Years	Exclusive of Food Stamps	Including Food Stamps
1985-86	30%	50%
1987-88	40%	60%
1989-90	50%	70%
1991-	60%	75%

The above levels are only illustrative. The specific levels would be determined by the Congress, based on the availability of funds and the public policies related to the status of the economy and federal and state budgets. For comparative reference one might note that in 1981 AFDC and Food Stamps for a one-parent family of three persons was 46% of the 1981 poverty threshold in Mississippi, 50% in Alabama, Arkansas, Tennessee, and Texas. In nine states, the proportion reached 95% or more: Alaska, California, Connecticut, Hawaii, Michigan, New York, Vermont, Washington, and Wisconsin.

5. Federal Share of Minimum Payment.

We recommend that payments to families up to the minimum benefit levels be financed entirely from federal funds.

6. State Supplements.

States would be free to supplement the federal minimum benefits. The federal government would pay 25% of state supplemental payments up to 125% of the defined poverty level by family size.

7. State Administration.

Individuals would apply to their state agency, as determined by the state. The state would make the eligibility determination in accordance with the provisions of the revised program. An individual would have a right to a fair hearing and appeal to state courts. The federal government would pay 95% of the states' "proper and efficient" administrative costs. States would be required to make audits and reports.

8. Work Incentives.

To provide an incentive to work and to lessen the impact of marginal tax rates, we would disregard (at 1980 wages) the first $75 a month of fulltime employment and the cost of day care for a child. One-third of earnings over the $75 a month disregard would likewise not be counted as income. (These amounts would be indexed to the increase in wages over the 1980 base.) States could increase these work incentive factors ($75 and one-third) and the federal government would pay 25% of such additional cost, the states 75%.

9. Incentive for Saving.

To provide an incentive for saving, the first $30 a month in interest, dividends, or any social security or other benefit for which a family member paid 50% or more of the premium or contribution would be disregarded in computing payments. These amounts would be indexed to the increase in wages over the 1980 base.

10. Nationwide Definition of Income.

"Income" would be defined as all wages, salary, net self-employment, interest income, dividends, rents, royalties, alimony, inheritances and gifts. Up to $20 a month in gifts (indexed), infrequent and irregular income up to $20 a month (also indexed), and earnings of a student would not be counted as income.

11. Maintenance of Payment Level.

Payments to eligible families should be maintained at an amount not less than their standard in 1980, indexed to the price level, effective FY 1985.

12. "Hold Harmless" Provision.

The federal government would provide federal funds of not less than the amount it paid to the state in FY 1980, indexed to the increase in the price level. States would not be required, beginning in FY 1985, to expend from state funds any more than the state expended in FY 1980, indexed to the increase in the price level.

13. Simplification of Paper Work.

States would be required to use the same definition of income and resources for Medicaid and be permitted to use it also for the determination of eligibility for food stamps in the state, subject to #14.

14. Optional Food Stamp Inclusion.

Each state could request permission of the federal government for the use of a single eligibility form and a single definition of income and resources for all AFDC and Food Stamp recipients in that state. States would have the discretion to apply different disregards or exempt amounts.

15. Optional Medicaid Inclusion.

States would have the option to include in Medicaid families with one or more members incapacitated or unemployed, but would continue to be required to include in Medicaid and AFDC the families of those who are deceased, disabled, and absent from Home.

16. Block Grant Experimental Alternative.

Temporary waivers for specific provisions of the federal law should be extended to the revised program. Additionally, the Secretary may authorize up to four or five states to establish such different programs as will allow states to experiment with other approaches to meeting the income maintenance needs of families. On condition that each such state continues its estimated financial share for the period, a state would receive for up to five years the estimated amount it would have received under the revised AFDC program, as determined by the Secretary.

17. Evaluation Reports.

One-half of one percent of the federal expenditures would be set aside for use by the Secretary to make grants or contracts for the evaluation of the program or for the Secretary to evaluate the program. These evaluation reports would be published and distributed to states and other interested parties.

18. Periodic Advisory Committee.

Every four years there would be established an advisory committee to examine the program and the evaluations and, after public hearings, to make recommendations to the President and Congress for any changes. There could be ten members of the advisory committee — three selected by the Speaker, three by the President pro-tempore of the Senate, four by the President. The chairperson would be selected by the President.

19. Qualitative Standards.

We believe that the "qualitative standards" dealing with Grants to the States for AFDC in Title IV of the Social Security Act should be retained. They include such essential safeguards as requirements that aid be available in all counties in the state, and that individuals whose claims are denied be given a fair hearing.

V. Conclusion

We believe that the changes suggested in this paper would promote the goals of adequacy, equity, and efficiency, which are among the important criteria for a welfare program, and that they would contribute to addressing the issues outlined above.

This proposal would establish the principles of national standards of eligibility and support, of federal funding of minimum benefits (with the option of state supplements), and of state/local administration. The political process, based on budgetary realities and perceptions of good public policy, would determine the level of benefits. Whatever that level, we urge the establishment of these principles Nearly a half century of experience with programs designed to protect the health and welfare of the nation's children, the principal beneficiaries of AFDC, leads to the conclusion that it is most appropriate for the national government to formulate policy, set standards and serve as primary funder, while reserving to states the administration and delivery of services. Economy and compassion are both called for in our present national environment. We former Secretaries of Health, Education and Welfare believe that the recommendations contained in this proposal can advance both causes.